



Via Portal Submission

April 6, 2021
MGEX Submission No. 21-18

Mr. Christopher J. Kirkpatrick
Secretary of the Commission
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street NW
Washington, DC 20581

RE: Rule Certification Submission Pursuant to CFTC Regulation 40.6(a); Proposed Amendments to TAX Futures Contract Terms and Conditions

Dear Mr. Kirkpatrick:

Pursuant to Section 5c(c) of the Commodity Exchange Act (“CEAct”) and Commodity Futures Trading Commission (“CFTC”) Regulation 40.6(a), the Minneapolis Grain Exchange, Inc. (“MGEX” or the “Exchange”) hereby certifies that the following attached supplemental proposed amendments to the terms and conditions (for the trading of futures on the SIG Index Licensing, LLC (“SIL”) U.S. Corporate Tax Rate Index (the “Index”) product (the “TAX Futures Contract”) (collectively, the “Proposed Amendments”), comply with the CEAct and the CFTC regulations promulgated thereunder. MGEX further certifies that notice of pending product certification with the CFTC and a copy of this submission (other than those exhibits for which confidential treatment has been requested) have been posted on the MGEX website at the following link: <http://www.mgex.com/regulation.html>.

I. AMENDMENTS TO TAX FUTURES CONTRACT TERMS AND CONDITIONS

Attached hereto as an Exhibit A to this submission are the Proposed Amendments to the terms and conditions of the TAX Futures Contract and a concise explanation and analysis of the amendments to the terms and conditions of the TAX Futures Contract and its compliance with applicable core principles and CFTC regulations.

II. COMPLIANCE WITH CORE PRINCIPLES

MGEX has reviewed the Core Principles for designated contract markets (“DCM Core Principles”) and identified that the Proposed Amendments may impact the following DCM Core Principles:

- *DCM Core Principle 2, Compliance with Rules:* The Proposed Amendments to the TAX Futures Contract terms and conditions sets for that EFRP transactions will

be permitted pursuant to MGEX's existing EFRP rules codified in its Rulebook. The Proposed Amendments also provide the Minimum Price Increment in the terms and conditions to provide additional clarity to the market.

- *DCM Core Principle 7, Availability of General Information:* The Proposed Amendments have been disseminated on the MGEX website, and will be available in the MGEX Rulebook, which is accessible online.
- *DCM Core Principle 9 – Execution of Transactions.* The TAX Futures Contract will be listed on the CME Globex® platform, and MGEX will clear all transactions.

If there are any questions regarding this submission, please contact me at (612) 321-7128 or psparby@mgex.com. Thank you for your attention to this matter.

The Proposed Amendments are intended to become effective ten (10) business days from the date of this submission. If there are any questions regarding this submission, please contact me at (612) 321-7128. Thank you for your attention to this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Peter D. Sparby". The signature is written in a cursive, flowing style.

Peter D. Sparby
Corporate Counsel

Enclosure

EXHIBIT A

The Exchange is amending the terms and conditions for the TAX Futures Contract as follows.

Corporate Tax Futures Contract Specifications

Contract Name	Corporate Tax Futures
Symbol	TAX (proposed)
Trading Hours	The Corporate Tax Futures will trade as follows (all hours listed in Central Time): <ul style="list-style-type: none"> ○ Regular Trading Session: 8:30 a.m. – 3:00 p.m. (Monday – Friday)
Multiplier	The contract multiplier for each Corporate Tax Futures Contract is \$250 (USD).
Contract Months	The Corporate Tax Futures Contract will have available for trading quarterly expirations, on the March cycle, listed out 2 ½ years. Thus, ten contracts will be listed at any given time. The first trading day of the new 10 th month contract will begin with the Regular Trading Session on the settlement day of the expiring front month.
<u>Minimum Price Increment</u>	<u>The minimum price increment in the Corporate Tax Futures Contract will be 0.10 index points, which has a value of \$25. For spread trades, the individual legs and net prices may be in increments of 0.10 index points, which has a value of \$25.</u>
<u>Order Types</u>	Order types for Corporate Tax Futures Contract will include: Limit Market Order with Protection Market to Limit Stop Limit Stop Order with Protection
Calendar Spreads	Standard calendar spreads are available for trading in the Corporate Tax Futures Contract with same tick functionality. The individual legs and net prices may be in increments of 0.10 index points, which has a value of \$25. Implied orders functionality is enabled.
Block Trades	Block Trades are permitted to be executed in the Corporate Tax Futures Contract given they meet minimum quantity thresholds. The Block Trade minimum threshold for the Corporate Tax Futures Contract is 500 contracts. Block Trades will include a minimum price increment of 0.10 index points, which has a value of \$25.
Exchange for Related Position	Exchange for Related Position (EFRP) transactions <u>are permitted to be executed in the Corporate Tax Futures Contract provided certain criteria are met. The transaction must also be proved to be a bona fide EFRP transaction and must be submitted to the Exchange in accordance with applicable Rules.</u> will not be available for Corporate Tax Futures Contracts. <u>See MGEX Rules 719.00. for additional information related to EFRP transactions.</u>
Daily Price Limits	There are no price limits during the regular trading session.
Trading Halts	Trading halts for Corporate Tax Futures will be trigger automatically by a Market Wide Circuit Breaker, or manually as determined by

	MGEX.
Last Trading Day/Termination of Trading	The Last Trading Day for the Corporate Tax Futures Contract will be at 3:00 p.m. on the trading day immediate before the Final Settlement Date (Generally 3:00 p.m. Thursday afternoon on the Thursday preceding the 3 rd Friday of the month).
Final Settlement Date	The Final Settlement Date for the Corporate Tax Futures Contract is generally the Third Friday of the month.
Final Settlement Value	<p>The Settlement Value of the Index is based on the highest marginal US Corporate Tax Rate in effect at the time of settlement (The Rate).</p> <p>The final value is $((100\% - \text{The Rate}) \times 100)$.</p> <p>Corporate Tax Futures will cash settle to the Final Settlement Value, as published by MGEX, on the Final Settlement Date. Settlement of the Corporate Tax Futures Contract will result in the transfer of a cash settlement amount on the business day immediately following the Settlement Date. The cash settlement amount will be the final mark to market amount against the final settlement price of the Corporate Tax Futures Contract multiplied by \$250.</p>
Trade at Settlement Transactions (TAS)	Trade at settlement transactions (TAS) will not be available for Corporate Tax Futures Contracts.
Position Accountability	<p>The position accountability levels for Corporate Tax Futures Contracts are as follows:</p> <ul style="list-style-type: none"> • Ownership or control at any time of more than 50,000 contracts net long or short in all Corporate Tax Futures Contracts combined. • Ownership or control of more than 30,000 contracts net long or net short in the expiring Corporate Tax Futures, effective at the start of Hours of Trading for the Friday prior to the Final Settlement Date of the expiring Corporate Tax Futures. • Ownership or control of more than 10,000 contracts net long or net short in the expiring Corporate Tax Futures, effective at the start of the Hours of Trading for the Business Day immediately preceding the Final Settlement Date of the expiring Corporate Tax Futures.
Reportable Position and Volume Level	<p>Any open position level in the Corporate Tax Futures Contract at the close of trading on any trading day equal to, or in excess of, 25 contracts on either side of the market is required to be reported to the CFTC.</p> <p>A volume threshold account that has trading volume in the Corporate Tax Futures Contract during a single trading day equal to, or in excess of, 50 contracts is required to be reported to the CFTC.</p>

**U.S. Corporate Tax Rate
Index Futures Contracts
Risk Disclosure and
Disclaimer**

The risk of loss in trading commodity futures contracts can be substantial. You should carefully consider the risks of trading commodity futures contracts generally and the unique risks of trading U.S. Corporate Tax Rate Index futures contracts ("TAX Futures Contracts") in particular before entering into any trade. Because there are no comparable products like TAX Futures Contracts which reference and settle to a federal tax rate, there are unknown tax implications and tax treatments associated with trading these contracts. No federal guidance has been issued as to whether this product will qualify for treatment as a hedging transaction. Furthermore, no federal law or guidance exists on the deductibility of the costs incurred in trading TAX Futures Contracts, whether for speculative or hedging purposes. Likewise, the tax treatment related to Tax Futures Contracts for realizing, recognizing or offsetting gains or losses, whether capital or ordinary, is not known. Any of the above risks may result in adverse consequences, including non-deductibility of expenses or losses, and non-favorable tax treatment of gains or losses. EACH MARKET PARTICIPANT WHO CHOOSES TO TRADE TAX FUTURES CONTRACTS DOES SO AT THEIR OWN RISK, AND IS RESPONSIBLE FOR ANY TAX CONSEQUENCES AND REPORTING OF THEIR TRADE ACTIVITY UNDER RELEVANT GOVERNMENT AUTHORITIES AND JURISDICTIONS. THEREFORE, IT IS HIGHLY RECOMMENDED THAT EACH MARKET PARTICIPANT CONSULT THEIR PROFESSIONAL TAX ACCOUNTANT OR ATTORNEY BEFORE TRADING TAX FUTURES CONTRACTS.
